FINANCIAL SERVICES INSTITUTE

VOICE OF INDEPENDENT FINANCIAL SERVICES FIRMS
AND INDEPENDENT FINANCIAL ADVISORS

VIA ELECTRONIC MAIL

March 2, 2016

The Honorable Senator Mae Flexer
Connecticut Senate
Legislative Office Building
Room 1800
Hartford, CT 06106

The Honorable Representative Joseph Serra
Connecticut House
Legislative Office Building
Room 4021
Hartford, CT 06106

RE: Connecticut S.B. 265

Dear Senator Flexer and Representative Serra:

The Financial Services Institute (FSI)[1] and its members appreciate the opportunity to share our concerns regarding Senate Bill 265. We are concerned that Senate Bill 265 will create an overly complicated and duplicative disclosure regime which will only serve to confuse investors and increase the cost of investing. Fortunately, Congress has preempted states from establishing unique book and recordkeeping obligations. We explain each of our concerns below.

Our members wear many hats and are able to offer clients a choice among different investment products, services, and pricing models. The standard of care owed a client may vary based on the account type, service offered, and/or the registration status of the financial advisor. The result is that a financial advisor may owe the same client a variety of legal duties depending upon the types of accounts and services he is providing the client. We recognize that investors are understandably confused as to the duty owed them by their financial advisor. For this reason, FSI has long supported the creation of a national uniform fiduciary standard of care for all financial advisors offering individualized advice to retail investors. Unfortunately, we cannot support the disclosures contemplated by Senate Bill 265 because we believe they will be too complex to provide investors the clarity they need. We believe the solution is to move to a single fiduciary standard of care, rather than create a costly and ineffective disclosure regime.

Next, the bill requires financial advisors operating in Connecticut to disclose the compensation that they expect to receive, or any other income source, in connection with the investment advice, including, but not limited to, (a) up-front charges to the investor, (b) commission percentages in investment products the financial advisor may recommend, and (c) cash bonuses or other incentives the financial advisor may receive for selling products. Our members already provide this information to their clients at the point of sale. A prospectus is presented and

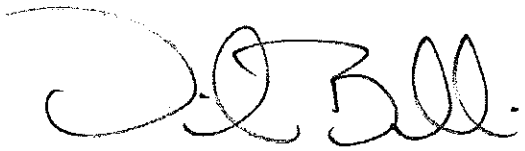
[1] The Financial Services Institute (FSI) is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has successfully promoted a more responsible regulatory environment for more than 37,000 independent financial advisors, and more than 100 independent financial services firms who represent upwards of 160,000 affiliated financial advisors. We effect change through involvement in FINRA governance as well as constructive engagement in the regulatory and legislative processes, working to create a healthier regulatory environment for our members so they can provide affordable, objective advice to hard-working Main Street Americans. For more information, please visit www.financialservices.org.

explained to investors at the point of sale to the client. The prospectus includes detailed information on the investment, including commissions and fees the investor will pay. The format of the prospectuses provided to clients has been approved by the U.S. Securities and Exchange Commission. We believe the state's securities laws should support these existing standards of disclosure rather than creating their own. Senate Bill 265's compensation disclosure provision is duplicative and burdensome to the financial advisor and financial services firm.

Finally, and most importantly, Section 103 of NSMIA[2] preempts state legislation creating additional recordkeeping requirements for firms and financial advisors. Since Senate Bill 265 seeks to establish additional disclosure obligations which must be documented through the creation of additional books and records, we believe it is preempted by federal law. Adding additional layers of state-specific recordkeeping would be extremely costly and time consuming for financial advisors and financial services firms. Therefore, Congress chose to establish national uniform standards to promote the efficient operation of our securities markets and financial services firms. Senate Bill 265 undermines this goal.

FSI supports legislative and regulatory initiatives that increase access to quality, individually tailored, affordable financial planning advice and consumer protection. It is our aim to preserve the ability of independent broker-dealers and financial advisors to continue offering their services to the hard-working people of Connecticut. If FSI or its membership can be of assistance at any point on the important issue of investment advice, please be sure to contact my colleague, Michelle Carroll at 202-517-6464.

Sincerely,



David Bellaire, Esq.
Executive Vice President & General Counsel

cc: Joint Aging Committee

[2] National Securities Markets Improvement Act of 1996 §103, available at, https://www.congress.gov/104/plaws/publ290/PLAW-104publ290.pdf